

Lebowitz



Comptroller General
of the United States
Washington, D.C. 20548

Decision

Matter of: Pacifica Services, Inc.
File: B-242290; B-242290.2
Date: April 8, 1991

Richard Clark, Esq., Warren Clark & Sklar, for the protester.
James C. Fontana, Esq., for Vinnell Corporation, an interested party.
Millard F. Pippin, Department of the Air Force, for the agency.
Linda S. Lebowitz, Esq., and Michael R. Golden, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

Protest that agency conducted an improper cost realism analysis of the awardee's cost proposal is denied where the record shows protester's allegation is based upon erroneous assumptions--that the awardee underestimated the manning necessary to perform the contract requirements and that the awardee took exception to paying wages and fringe benefits at rates fixed by collective bargaining agreements and Department of Labor wage determinations--and where record shows that agency's cost realism analysis was reasonable.

DECISION

Pacifica Services, Inc. protests the award of a contract to Vinnell Corporation under request for proposals (RFP) No. F05603-90-R-0003, issued by the Department of the Air Force for nonpersonal civil engineering services for Onizuka Air Force Base and Camp Parks Communications Annex, California. Pacifica essentially argues that the agency improperly evaluated the cost realism of Vinnell's proposal.

We deny the protest.

The RFP, issued on March 16, 1990, contemplated the award of a cost-plus-award-fee contract for the 10-month base period and 4 option years. The RFP contained three evaluation factors--technical, management, and cost. The RFP stated that the technical and management evaluation factors were more important than the cost evaluation factor, and that the total cost (for the base period and option years) as well as the completeness, reasonableness, realism, and compatibility of an

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offeror's cost proposal with respect to its technical and management proposals would be considered. The RFP advised that the award would be made to the responsible offeror who best demonstrated its ability to satisfy the objectives and requirements of the solicitation in a manner most advantageous to the government.

Five firms submitted initial proposals by the closing date of May 18. After the initial evaluation, the agency determined that all five offerors including Pacifica, the incumbent, and Vinnell, were within the competitive range. Following written discussions with each offeror within the competitive range, best and final offers were requested with a closing date of August 31. On November 26, based on the results of the technical, management, and cost evaluations, the agency awarded a contract to Vinnell, the higher technically rated, lower evaluated cost offeror (Vinnell's total evaluated cost was approximately \$2.7 million lower than Pacifica's total evaluated cost). The agency found that Vinnell's offer best demonstrated Vinnell's ability to satisfy the objectives and requirements of the solicitation in a manner most advantageous to the government. Pacifica filed this protest on December 7.

Pacifica argues that the agency improperly evaluated the cost realism of Vinnell's proposal. In support of its argument that the agency's cost realism analysis of Vinnell's proposal was improper, Pacifica speculates that Vinnell's total evaluated cost was approximately \$2.7 million less than Pacifica's total evaluated cost because Vinnell underestimated the manning level necessary to satisfy the requirements of the RFP and Vinnell took exception to paying wages and fringe benefits at rates fixed by applicable collective bargaining agreements and current Department of Labor wage determinations as incorporated in the RFP.^{1/}

The government's evaluation of proposed costs and cost realism under a procurement for a cost-type contract is aimed at determining the extent to which the offeror's proposal represents what the contract should cost the government. Systems Research Corp., B-237008, Jan. 25, 1990, 90-1 CPD ¶ 106. Because the agency is in the best position to assess cost realism and must bear the difficulties or additional

^{1/} Initially, Pacifica also argued that Vinnell's proposal was unbalanced and that the agency improperly decided to delay the post-award debriefing until after this protest was resolved. The agency rebutted these arguments in its agency report. Pacifica, in its comments to the agency report, did not address these issues. Therefore, we deem these issues to be abandoned and we will not address them. See Heimann Sys. Co., B-238882, June 1, 1990, 90-1 CPD ¶ 520.

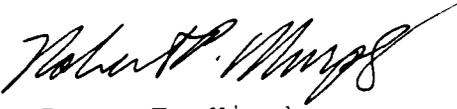
expenses resulting from a defective cost analysis, our review of the agency's cost analysis focuses on whether the evaluation was reasonably based. MiniMed Technologies, Ltd., B-239023, July 20, 1990, 90-2 CPD ¶ 59. Here, after reviewing the record, we conclude that the agency reasonably evaluated the cost realism of Vinnell's proposal.

First, with respect to Pacifica's allegation that Vinnell underestimated the manning level necessary to perform the requirements of the RFP, the record shows that the agency compared each offeror's proposed manning level to the government's manning estimate to determine whether an offeror adequately allocated technically qualified personnel to accomplish the requirements of the RFP. See, e.g., Pan Am World Servs., Inc. et al., B-231840 et al., Nov. 7, 1988, 88-2 CPD ¶ 446; Mark Dunning Indus., Inc., B-230058, Apr. 13, 1988, 88-1 CPD ¶ 364. The record shows that the proposed manning levels for Pacifica and Vinnell were virtually the same and the overall distribution of personnel for Pacifica and Vinnell was similar. Given the fact that Vinnell's proposed manning level was equal to the government's manning estimate and was slightly greater than Pacifica's proposed manning level, we find Pacifica's allegation that Vinnell underestimated the manning necessary to accomplish the requirements of the RFP to be without merit.

Next, with respect to Pacifica's allegation that Vinnell's total evaluated cost is \$2.7 million less than Pacifica's total evaluated cost because Vinnell intends to pay wages and fringe benefits at rates less than those fixed by applicable collective bargaining agreements and wage determinations as referenced in the RFP, the record indicates that Vinnell, just as Pacifica, took no exception in its cost proposal to paying direct labor rates and fringe benefits in accordance with the incorporated collective bargaining agreements and wage determinations. The agency conducted a detailed cost analysis of both offerors' cost proposals and it relied upon information from the Defense Contract Audit Agency (DCAA) for verification of both offerors' direct labor, overhead, general and administrative rates, and fee. DCAA found Vinnell's proposal was "acceptable as a basis for negotiation of a fair and reasonable price" and took no major exceptions to its proposed costs. In this regard, the record shows that Vinnell's direct labor cost was significantly higher than Pacifica's direct labor cost and that Vinnell's overhead was significantly less than Pacifica's overhead, reflecting Vinnell's decision to absorb more of its overhead expenses than Pacifica. The differences in these two cost factors primarily account for Vinnell's total evaluated cost being

\$2.7 million less than Pacifica's total evaluated cost. Based on the record, we conclude the agency reasonably evaluated the cost realism of Vinnell's proposal. See Raytheon Support Servs. Co., 68 Comp. Gen. 566 (1989), 89-2 CPD ¶ 84.

The protest is denied.


for James F. Hinchman
General Counsel